AGENCY ESTIMATE OF THE FISCAL IMPACT OF IMPLEMENTING

REVISED SB 65 2011 General Session

REVISED - Statewide Online Education Program

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Sponsor: Sen. Howard A Stephenson		Lead Analyst: Ben Leishman Title: Research Consultant and Audit & Finance			
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A. Short Form (For bills that have	no impact on the stat	e. local governments, business	es, or individuals.)		
If you can check all five boxes State agencies will not require an appropriation to implement the bill.					
to the right, you're almost done.	There is no fiscal impact on local governments.				
If the bill obviously doesn't have an impact, you're done.	There is no fiscal impact on businesses X There is no fiscal impact on individuals.				
, , , , , , , , , , , , , , , , , , , ,	The bill will not affect revenues.				
If it isn't so obvious, explain	If necessary, explain why this bill has no fiscal impact.				
what's going on. The most usual	in necessary, explain why this oil has no fiscal impact.				
explanation is the codification of existing practices.					
of existing practices.					
Attachments welcome.					
B. What parts of the bill cause fiscal impact?					
Cite specific sections or line	This hill creates th	na Statowida Onlina Education	2 Program which will		
numbers.		e Statewide Online Education Program which will resources at both the State and local level.			
C. Which program gets the appropriation? For multiple appropriations					
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F. COSTS by FUND

Select Fund Uniform School Fund Current Budget Year FY 2011

Coming Budget Year FY 2012 2,472,168 Future Budget Year FY 2013 1,297,043

Total	0	2,472,168	1,297,043		
G. COSTS by EXPENDITURE CATEGORY.					
Expenses by Category	Current Budget Year FY 2011	Coming Budget Year FY 2012	Future Budget Year FY 2013		
Personal Services		1,317,668	1,161,543		
Travel		35,000	35,000		
Current Expense		1,069,500	100,500		
DP Current Expense					
DP Capital Outlay					
Capital Outlay		50,000			
Other/Pass Thru					

H. Non-State Impacts

Total

Your estimate of how will the bill affect:

Local Governments

The costs to LEAs would be the diverted revenue (\$1,073 per course equals \$3.5 million in diverted revenue for every 1.0% of online course enrollment shift), personnel services to provide additional counselors, changes to registration materials, and updating websites. There is not a reasonable cost saving in the reduction of course load at the LEAs because there will not be enough online classes concentrated in a single subject area or LEA to warrent laying off teachers.

2,472,168

Businesses

The bill provides that when SB 65 takes effect, a public or private person may apply to be an OCP. This will allow entities, both inside and outside the state, to apply to become OCPs.

Individuals

Students will have options to take online courses from multiple entities, but will be limited to 2 credits the first year, 3 credits the 2nd year, 4 credits the 3rd year, 5 credits the 4th year, and 6 credits the 5th year.

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This is a draft fiscal note response from the Utah State Office of Education (USOE) and may be revised in the future.

Attachments welcome.

1,297,043

PART D. CONTINUED - An additional \$315,625 state appropriation into the MSP is necessary to fund the administrative costs for the program at the LEA level.

The bill provides that the USOE may charge the OCPs an administrative cost recovery fee. One manner to collect the fee would be to charge an application fee when OCPs apply to be accredited. Assuming that 25 OCPs apply in the first year, the application fee charged to each OCP for full cost recovery would be approximately \$86,262. In year two, where initial start up costs are no longer necessary, that fee would be lower at 51,882--assuming again 25 applicants. Another manner would be to charge an amount per online course enrollment and deduct it from the fee that would be sent the OCP, presuming this is allowed under S.B. 65's language. If only the ongoing costs are recovered in the first year, and we assume 1.0% OCP enrollment market share at 2.0 courses per student, that fee would be \$395.94. However, because that calculation is variable and dependent upon the number of online course enrollments, the amount is reduced substantially for every 1.0% additional market share captured by OCPs. For example, if OCPs attained 10.0% market share instead of 1.0%, it would only be necessary to exact \$39.59 per online enrollment for full administrative cost recovery. However, there is no assurance that the cost recovery revenue will materialize because the number of OCPs that will apply each year and/or the number of online enrollments that would occur are speculative estimates at best.

Because of the time, effort, and resources needed to get a new program up and running, the effective date of July 1, 2011 is not reasonably achievable with current systems and resources, or the additional resources and systems indicated in this note. It would require at least one year to hire personnel, organize and set up the section, as well as go through an RFP process to create and develop the financial and data system to bifurcate data at the course level.